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Analysis of
German-Canadian trade

[S.I.]

[1936]

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ANALYSIS
of
GERMAN - CANADIAN TRADE

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The Social & Economic Research Committee
Central Division
CANADIAN JEWISH CONGRESS

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P R E F A C E

This study of Canadian-German trade has been undertaken by the Social and Economic Research Committee of the Central Division of the Canadian Jewish Congress in order to assist in the boycott work. The effectiveness of this economic weapon is not generally appreciated by the public because it works most successfully in the refusal of Jewish business men to purchase goods in Germany. The consumer resistance to German commodities is only a secondary, but vital factor.

In preparation of this report I am much indebted to Mr. Bert Gerstein who prepared the analysis of the new trade treaty and Mr. S. D. Levine who did much of the statistical work on which this study is based.

Marvin B. Gelber,

Chairman,

Social & Economic Research Committee.

Anonymous Gift

4/28/27

ANALYSIS OF GERMAN CANADIAN TRADE

By Marvin Gelber

Germany is bankrupt. As far as international finance is concerned, she has been insolvent since 1931. With the coming of the Nazis into power, the economic position of the country has progressively deteriorated. The rulers of Germany prefer to ascribe the impoverishment of their people to a foreign plot. The real reasons for the terrible plight of the German Nation are to be found in the policies of the Nazi regime.

A prosperous Nazi Germany would mean the strengthening of the prestige of the international anarchy throughout the world. There are today in all countries political parties that draw their inspiration from their fascist mother. In eastern and central Europe these groups are powerful and help to sway the destinies of their countries. The spread of the Nazi virus has only been checked by the frightful economic mess into which the Nazis have landed themselves. No one admires poverty. The only effective means that has yet been found for curbing Nazi ambitions is the boycott, which is helping to deprive the German rulers of the economic means to pursue their objectives. Boycott helps build peace.

Germany has not experienced economic recovery along with the other nations for three reasons and all of them spring from the Nazi policies.

1. The regime tried to isolate the country economically and pull it up by the boot straps. This consisted of embarking on a huge programme of public works which could not be paid for. The programme was financed by inflation. Prices rose rapidly and the foreign trade of the country was almost annihilated.

2. The persecution of Jews, liberals and radicals has been met by a world wide boycott. No complete analysis of German trade ignores this important factor. It is most effective on the part of Jewish business men who formerly did millions of dollars worth of trade in that country. This foreign outlet is today very small. When it is realized how prominent individual Jews have become in commercial fields, the full import of this factor will be appreciated. This has aggravated the foreign trade situation as described in item No. 1.

3. The Nazis preach war at home and cry for peace abroad. The critical foreign position is further aggravated by the hysterical rearming pursued by the fascist government. The dwindling supply of foreign exchange that is obtained through trade and travel, is seized from private business and employed in the armaments game.

Germany's imports are too largely uneconomical to be healthy. Where formerly she would have used her foreign exchange supplies for purchasing raw materials to operate her industries, this procedure is now being frowned upon. German industry is being starved of foreign raw materials. This hurts the foreign trade of the country still further and aggravates the foreign exchange situation.

Goebbels said that the Germans must prefer guns to butter. They have learnt this for many months. There has been a scarcity of certain vital foods in the country for over a year. Where there is not sufficient foreign exchange to buy raw materials which are necessary for trade, there will certainly not be enough for food imports in a country that is dedicated to the glorification of guns.

Aug 22, 1938

II

In 1932, the year prior to the passing of power into Nazi hands, German exports were Rm 473,100,000. In the following two years despite a revival of world trade, German exports fell Rm 126,000,000, or over 27%.

The fall of imports was not quite as spectacular because Germany was not paying for her goods. Thus Dr. Schacht, the economic dictator of the country, saw to it that countries like Jugo-Slavia and Rumania would be forced to buy German merchandise if they wanted to get paid for goods they had already sold. This constituted the basis of his famous policy of economic imperialism, which frightened the democratic powers during 1936.

If the level of imports had been maintained in order to feed the populace or supply industry with needed raw materials, it would have been no tragedy. But, the war material items were looming larger and larger in the balance of trade. Only the failure to increase exports has put a brake on this feverish activity.

The unfavourable trade conditions have also kept Germany out of the international money markets as a borrower. International finance would otherwise have extended credit to keep liquid the funds already frozen in the country. Trade is the secret of Nazi defeat.

Figures of increased industrial production and the decline of unemployment mean nothing. The activity is not productive and the country is bankrupt. The standard of living of the mass of the people is deteriorating to dangerous proportions. Employment means guns, not butter.

III

Canada has suffered due to the adventures of the Nazi leaders. The figures printed below are eloquent testimony of what happened to an important Canadian market. In 1935 and 1936 Canada sold one tenth of the amount of produce to Germany that she did in 1929. By 1934 the export total was back to its pre-Nazi level, but during the last two years this has been more than cut in half. German trade is effectively controlled by the Government. This flow of goods has been deliberately curtailed.

<u>Year</u>	<u>Imports</u>	<u>Exports</u>
1928	\$17,055,798	\$42,244,217
1929	20,797,683	46,708,804
1930	21,505,428	25,343,661
1931	16,197,914	12,952,236
1932	11,657,869	10,405,256
1933	9,088,905	8,057,105
1934	9,992,704	10,588,450
1935	10,014,434	4,474,158
1936	9,907,685	4,559,594

(These figures are taken from the Condensed Preliminary Reports on the Trade of Canada, 1929-36, published by the Dept. of Trade and Commerce, Dominion Bureau of Statistics)

In 1932-3 total imports into Canada from all countries reached the low point of \$406,000,000. By 1935-6 they had increased 40% to \$562,000,000. During all this period imports from Germany fluctuated but slightly.

Resistance to purchases from Germany can be traced to two principal sources. Firstly there is the purely economic factor. The cost of German goods was increasing due to the policy of inflation pursued by the Nazi regime. This was partly offset by the subsidies which were extended in order to bolster up export trade. Canada attempted to meet this threat by special levies on goods thus dumped.

But the factor of the boycott should not be ignored. It is obvious from the figures that if Jewish business men had switched a few million dollars worth of trade to German firms, the percentage of increase of exports to Canada would have been considerable. This is not a small factor, as will be shown below in a more detailed analysis.

The German Government is well aware of the problems involved and Dr. Schacht would be only too glad if his Fuehrer would control the Jew batings of the regime. In a study of "Trade Between Canada and Germany" issued in 1935 by the Department of Trade and Commerce of the Canadian Government and the Dominion Bureau of Statistics, the following paragraph stands out significantly:

"The German statistical office explains the continued regression of German exports, contrary to the world trends, as due partly to reduced export pressure resulting from increased domestic demand. Other factors mentioned are the devaluation of the dollar and the effects of the boycott."

IV

CANADIAN IMPORTS FROM GERMANY

	Scientific Apparatus	Cotton Gloves	Drugs, Dyes Aniline	Furs	Machinery	Cottons
1932	\$328,000		\$ 711,000	\$179,000	\$414,000	\$521,000
1933	248,000		754,000	125,000	298,000	359,000
1934	257,000	\$368,000	1,276,000	65,000	389,000	430,000
1935	288,000	448,000	1,472,000	22,000	311,000	60,000
1936	351,000	416,000	1,573,000	15,000	490,000	62,000
	Silks, Velvets		Woollens			
1931			\$1,946,000			
1932	\$585,000		355,000			
1933	439,000		101,000			
1934	612,000		70,000			
1935	271,000		41,000			
1936	193,000		33,000			

The above figures reveal some interesting facts. They suggest that the economic boycott of German goods is effective in lines of endeavour in which Jewish business men play a significant role. They also point out items that could be tackled more energetically by committees seeking to diminish Nazi imports into this country. The spectacular dumping of gloves onto foreign markets can only be combatted by organized consumer resistance. In 1934, the Canadian Custom Authorities considered this import factor of sufficient magnitude to warrant a separate listing. Thus while the increase has been very large, it has not been as great as might be suggested by the above table..

The American Boycott Committee has done some work with regard to chemical and drug importations. A scientific study of this field would reveal alternative sources of supply that could be followed up by active canvassing.

The figures on imports from Germany have only been listed from 1932. A complete series since 1929 would show a much more spectacular drop. However this would be misleading for two reasons. Firstly, 1929 was a boom year and world trade is but slowly recovering from the collapse of the succeeding depression. Secondly, this study is being undertaken to analyse the effect of the boycott, which was inaugurated in 1933, with the accession to power of the Nazi party. Also, during the greater part of this period, there has been no general revision of the Canadian tariff schedules on items effecting this trade.

During this period, while Canada's importation of furs, cotton, silks, velvets and woollens from Germany fell precipitously, there was a general increase in the amount of these commodities being purchased from the world at large. During the years 1932-33 to 1935-36 the statistics under the heading "Fibres, Textiles and Textile Products", showed a gain of \$28,600,000 or nearly 50%. While this figure merely suggests the extent of Canadian recovery in a field in which German trade has been losing ground, it gives no exact measure of that loss because the biggest gains have been in raw materials. But still, the general upswing has been infused into all related lines of activity and Germany has not only lagged behind, she has actually lost considerable ground in an expanding market. And while Germany supplied this country with only a few thousand dollars worth of furs in the last fiscal year, the total importation from all countries had grown almost 50% to over \$6,000,000.

By doubling her export of Drugs, Dyes and Anilines to Canada, Germany has increased her proportion of that trade. It is a significant market captured and represents a gain even over the prosperity years. Dyes and anilines are today the largest factors in German trade for obtaining foreign exchange in the Canadian market.

A peculiar item that has showed much vacillation is "Peanut Oil For Refining." Under this innocent heading almost a million dollars worth of trade was negotiated in the fiscal year 1935. In the previous year about half this amount of business was done, while in 1936 and some earlier periods, there is no amount listed in this category whatsoever.

Coal suddenly makes its appearance as a commodity in Canadian-German trade in the fiscal year 1935. Due to the machinations of unscrupulous dealers, as recently exposed, over \$700,000 was imported into this country and partly marketed under false pretences.

It will now be interesting to see what Germany does with the foreign exchange obtained by this trade.

V

The total figures of Canadian trade with Germany show that the exports of this country to the Reich were slightly over 10% of 1928 and less than 10% of 1929. Canada has lost a valuable market abroad. In the year prior to the accession to power of the Nazi party, Canada bought a little over a million dollars more merchandise from that country than she sold in return. However, in the last two years Germany has absorbed less than half the amount of goods that Canada has bought from her. Canada's trade with the Reich has become singularly unbalanced.

The nature of the change is even more perilous than the total figures might suggest. The following statistics give an idea of what Germany is doing with her foreign exchange and why her people have to prefer guns to butter.

<u>Article</u>	<u>1928</u>	<u>1929</u>	<u>1932</u>	<u>1936</u>
Barley	\$ 4,318,000	\$ 5,229,000	\$2,163,000	
Wheat	17,906,000	19,799,000	3,223,000	\$ 524,000
Wheat flour	6,636,000	6,962,000	1,022,000	18,000
Copper	50,000	2,214,000	149,000	2,990,000

The figures on importations of copper into Germany are eloquent. While her 1929 and 1930 purchases were as large as those in 1936, the former constituted a much smaller proportion of total trade. In 1931 there were no transactions under this heading. They reappear again in 1932 and 1933. By 1934 they mounted to \$1,706,000 which was an increase of almost \$1,500,000 in twelve month's time.

The indices of industrial production in Germany indicate this change. Taking 1929 as the base year with 100, 1932 saw a fall of activity to 53.3. The tempo was increased by the hysterical programme of rearmament and by 1936 production had passed the 1929 level.

The status of the German people is reflected in the import figures. Germany, to a very large extent, feeds her masses with the proceeds of her sales abroad. What foreign exchange she can obtain is being sequestered for purchasing war materials. That is why despite frenzied industrial activity, the German people are being driven into depths of want. The increased employment is being used for uneconomic purposes. Germany entered the Third Reich with six million people on relief. A large portion of those are now at work, but the whole populace is immeasurably worse off.

Not only have wages been lowered, but prices are higher. It is only the police power that has kept the cost of living from becoming still dearer. On top of all this, it was estimated some time ago that twelve per cent. of the wages of the labouring classes are contributed to various state funds as a further form of taxation. The German people are paying the piper with a vengeance, but have little to say in calling the tune. The whole country is geared for war.

THE PROVISIONAL TRADE AND PAYMENTS AGREEMENT
BETWEEN CANADA AND GERMANY

by
Bert Gerstein

This agreement supercedes arrangements which have been in effect since January 1, 1933 at which time Canada extended her Intermediate tariff to German imports into Canada in return for a most-favoured-nation treatment for Canadian goods imported into Germany. The new agreement is a revision of the old in one important respect only: it provides for the extension of most-favoured-nation treatment to German goods imported into Canada. The essence of the new arrangements is, from Canada's point of view, not so much a revision of the old agreement as the provision of facilities whereby Canadian exports to Germany may be increased so as to diminish her unfavourable trade balance with that country. In 1934, Germany took over the control of granting foreign exchange to German importers and Canada's exports to Germany have suffered from the inability of German importers to obtain the wherewithal with which to purchase Canadian goods. The new agreement provides that henceforth the exchange accruing from the sale of German goods in Canada shall be made available to Germans who wish to import Canadian goods.

But only will the establishment of such a fund make it possible for German importers to obtain the foreign exchange necessary for the importing of Canadian goods, but the methods of trade themselves will be simplified. Under German government control, strict rules limited imports from Canada on a barter basis - that is, a certain value of imports into Germany had to be balanced by an equal value of German exports to Canada, and in some instances by three times the value of the imports into Germany. Moreover, the Canadian exporter was often paid in Germany with Reichsmarks and he was at a great disadvantage in attempting to exchange them for his domestic currency. Thus the new arrangement, by allowing for direct payments of his domestic currency to the Canadian exporter is expected to greatly facilitate and therefore greatly increase Canada's exports to Germany.

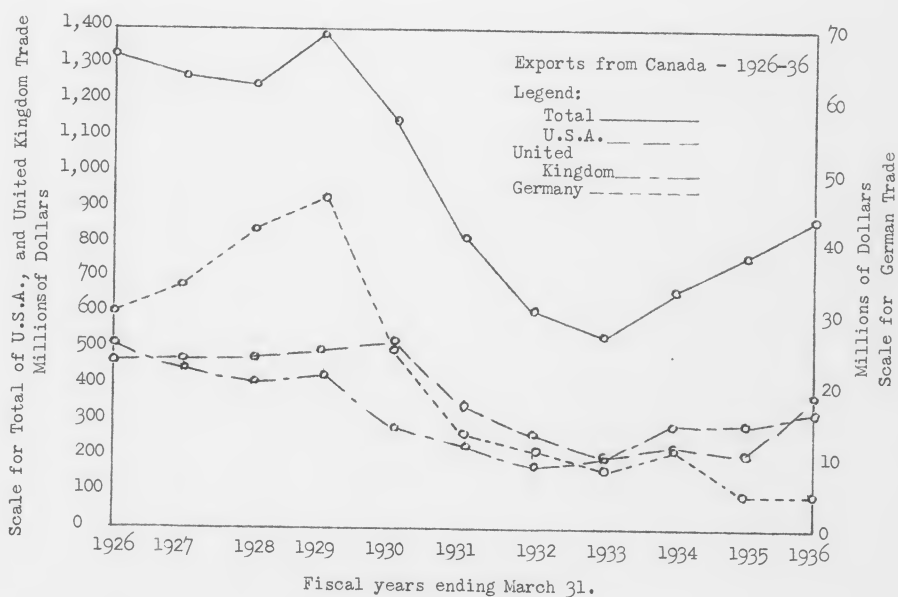
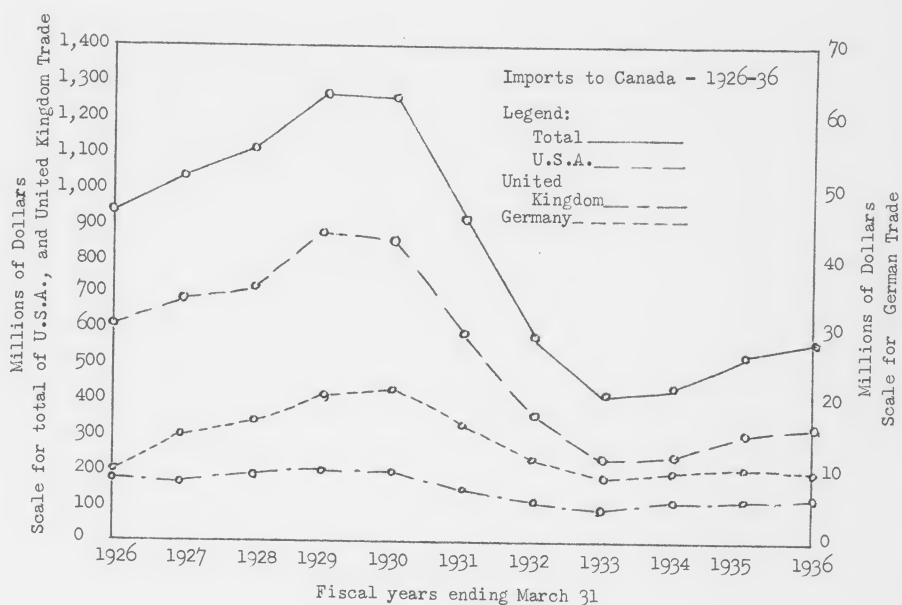
Germany has, however, to a great extent maintained her control over her imports by providing for the definite allocation of 63.1% of the value of her imports from Canada. Thus at least 35% of the total value of all imports from Canada must be in the form of wheat, while asbestos, fresh apples, lumber, fish, etc. make up the remaining 28.1%, leaving 36.9% of the value of goods imported from Canada available for non-enumerated goods or for the further purchase of enumerated goods within certain maximum limits. Thus Germany still to a great extent controls the amount and especially the nature of her imports from Canada.

Thus on Canada's part the treaty is essentially one intended to facilitate and thereby to increase the export of her goods to Germany so as to decrease her unfavourable balance of commodity trade with that country. In return, Germany for her concessions is to receive most-favoured-nation treatment for her goods, that is, her goods are to enter Canada on the same terms as goods from other countries, like France, which do not belong to the British Empire.

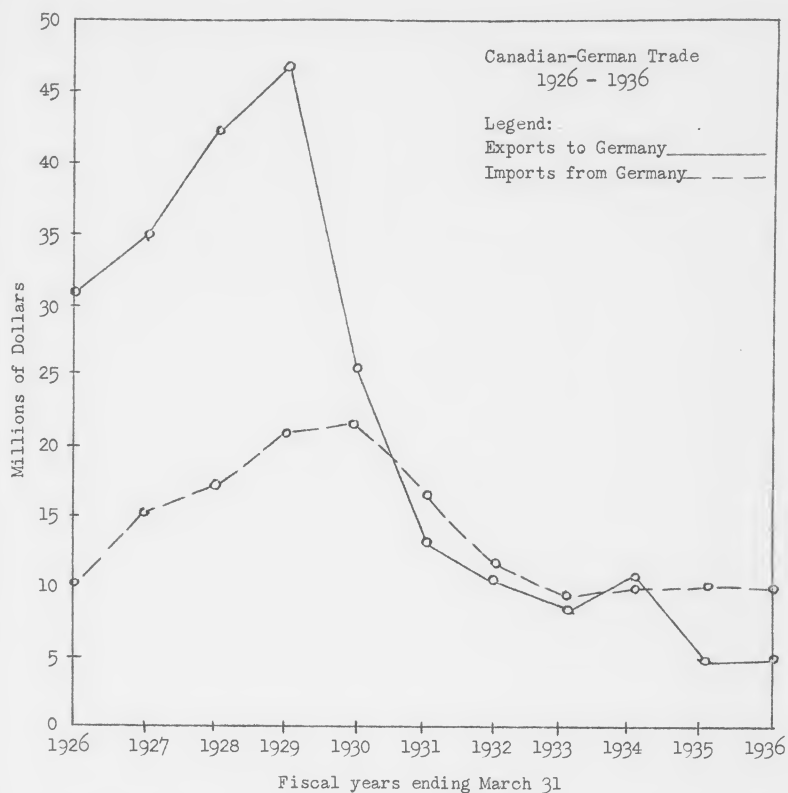
The new agreement came into force on Nov. 15, 1936, and will remain in force for one year or thereafter until either government shall give two months notice of termination. There is a provision, however, whereby if either of the governments being dissatisfied with the arrangements or with the way in which they are being fulfilled, negotiations may be entered into and if in four weeks a satisfactory settlement is not reached, six weeks notice of termination may be given. This is undoubtedly a measure to enable Canada to provide that Germany actually does carry out her obligations as Canada expected her to do in return for granting her most-favoured-nation treatment.

GERMAN - CANADIAN TRADE ILLUSTRATED

By S. D. Levine



NOTE: The curves indicating Canadian imports from and exports to Germany are accentuated in comparison with the curves illustrating total Canadian trade, and trade with the United Kingdom and the United States. In the latter case the scale represents units of \$100,000,000, in the former, the same scale represents units of \$10,000,000.



IMPORTS TO CANADA

CANADIAN EXPORTS

In millions of dollars

<u>Year</u>	<u>Total</u>	<u>U.K.</u>	<u>U.S.</u>	<u>Germany</u>	<u>Year</u>	<u>Total</u>	<u>U.K.</u>	<u>U.S.</u>	<u>Germany</u>
1926	927.3	163.7	608.6	9.98	1926	1,333.9	508.2	474.9	30.73
27	1,030.9	163.9	687.0	15.03	27	1,269.6	446.8	466.4	34.41
28	1,108.9	186.4	718.9	17.06	28	1,250.1	410.6	478.1	42.24
29	1,265.6	194.0	868.0	20.79	29	1,393.4	429.7	499.6	46.70
30	1,248.2	189.2	847.4	21.51	30	1,144.9	281.7	515.0	25.34
31	906.6	149.5	584.4	16.19	31	817.0	219.2	349.6	12.94
32	578.5	106.3	351.7	11.66	32	611.2	174.0	257.7	10.40
33	406.4	86.5	232.5	9.09	33	534.9	184.3	197.4	8.05
34	433.8	105.1	238.2	9.9	34	672.2	288.5	220.0	10.58
35	522.4	111.7	303.6	10.01	35	764.2	290.8	204.7	4.47
36	562.7	117.9	319.6	9.91	36	862.4	321.5	360.3	4.55

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